

Internal Revenue Service

Department of the Treasury

NO PROTEST RECEIVED
Release copies to District
Date 4/5/96
Surname [REDACTED]

Washington, DC 20224

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: CP:E:EO:T:5

Date: **JAN 23 1996**

DO: Baltimore

EIN: [REDACTED]

Dear Applicant:

This is in reply to your application for recognition of exemption under section 501(c)(3) of the Internal Revenue Code.

You were incorporated as a membership organization to promote the game of organized amateur soccer and to establish and maintain a qualified corps of recreational and high school referees for the uniform interpretation and application of the rules of the game, and to engage in any other lawful activity which promotes this primary purpose. Active members of your organization are persons who maintain current certification from USSF and/or VHSL, pay dues, and agree to abide by other rules and standards of conduct set forth in your bylaws.

Your application states that since your incorporation in [REDACTED], you have engaged in providing United States Soccer Federation Certified Officials to officiate amateur soccer matches in the [REDACTED] area of [REDACTED] from among your membership. You also conduct clinics to train and certify your members as referees, and provide schedulers to schedule matches and assign referees for matches held by the soccer organizations which contract with you. Soccer leagues and conferences negotiate with you and pay a per-game fee for the referee service you provide. You remit these fees to the member(s) who officiate these games after you deduct a percentage as a booking fee to cover your administrative expenses.

Section 501(a) of the Internal Revenue Code provides for the exemption from federal income tax for organizations described in section 501(c)(3). Section 501(c)(3) describes organizations which are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (if no part of its activities involve the provision of facilities or equipment), no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term charitable is used in its generally accepted legal

RE: [REDACTED]

sense. The term includes, among other activities, relief of the poor and distressed, advancement of religion, advancement of education or science and lessening the burdens of government.

Section 1.501(c)(3)-1(c)(2) of the Income Tax Regulations provides that an organization will be regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Revenue Ruling 70-4, 1970-1 C.B., 126 considered the exempt status of an organization whose activities consisted primarily of the promotion and regulation of an amateur sport. The organization also circulated printed material about the sport, conducted exhibitions to introduce the sport, conducted occasional instructional clinics, established rules, and set standards for equipment. The ruling concluded that the activities of the organization neither improve nor develop the capabilities of the individual nor instruct the public on subjects useful to the individual and beneficial to the community within the meaning of the regulations. Therefore the organization was not educational within the meaning of section 501(c)(3) and is not exempt from federal income tax under that section.

Since promotion of amateur sport is not, in itself, a charitable activity, your activities toward this purpose do not constitute charitable activities and you do not qualify for exempt status as an organization described in section 501(c)(3) of the Internal Revenue Code. Further, the service you provide in scheduling games, assigning officials and collecting and disbursing fees appears to serve the interests of both the soccer organizations with whom you contract, as well as the individuals who constitute your membership. Since the private interests of your members appears to be substantial in comparison to other interests served, you do not satisfy the

RE: [REDACTED]

requirement in Section 1.501(c)(3)-1(d)(1)(ii) of the regulations.

Contributions to you are not deductible under section 170 of the Code. You are required to file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your principle officers, must be submitted within 30 days from the date of this letter. You also have the right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the United States Tax Court, the U.S. Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your Key District Director. Thereafter, any questions about your federal tax status should be addressed to that office. Also, the appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,

(signed) [REDACTED]

[REDACTED]
Chief, Exempt Organizations
Rulings Branch 5